

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-1 Reference is made to page 3, line 2, of Mr. Shepherd's testimony. Please define the term "basic payphone lines" as it is used in that context.

REPLY: Basic payphone lines are lines that provide Payphone Service Providers ("PSPs") with the capability to offer payphone services by using either instrument-implemented "smart payphones" or "dumb" payphones, *i.e.*, those that utilize central office coin services, or some combination of the two. Specifically, this refers to Public Access Lines ("PALs") and Public Access Smart-pay Lines ("PASLs") in Verizon MA's DTE No. 10 Tariff, Part A, Sec. 8.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-2 Reference is made to page 4, line 15, of Mr. Shepherd's testimony. Please provide a copy of the relevant FCC orders that set forth the components of the "rate-to-cost ratio analysis to determine if retail rates for service provided to Payphone Service Providers ("PSPs") comply with the 'new services test.'"

REPLY: The material was previously provided by the Company as Exhibit 1 attached to Mr. Shepherd's Rebuttal Testimony dated August 20, 1999, in Phase I of this proceeding. A copy is attached.

VZ# 223

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-3 Reference is made to page 4, line 16, of Mr. Shepherd's testimony. Please define the term "service provided to Payphone Service Providers" as it is used in that context.

REPLY: This refers to the Department's August 8, 2001, order directing Verizon MA to include rates and costs for local usage offerings in the FCC's "new services" test analysis, along with the rates for basic payphone lines and features that were contained in the Company's January 29, 2001, Compliance Filing.

VZ# 224

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-4 Reference is made to page 5, line 3-4 of Mr. Shepherd's testimony. Please explain which "TSLRIC compliance filings" he is referring to therein.

REPLY: This refers to the Company's January 29, 2001, Compliance Filing and its TSLRIC study filed on September 7, 2001, as an attachment to Mr. Miller's testimony in this proceeding.

VZ# 225

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-5 Reference is made to page 5, line 9 of Mr. Shepherd's testimony. Please define the terms "peak minute of use" and "off-peak minute of use" as they are used in that context.

REPLY: "Peak minutes of use" are minutes that occur during the period Monday through Friday 9AM to, but not including, 9PM. Off-peak minutes of use are minutes during the following: (1) the period Monday through Thursday from 9PM to, but not including, 9AM; (2) the period from 9PM Friday to, but not including, 9AM Monday; and (3) specified legal holidays, *i.e.*, Christmas Day (December 25), New Year's Day (January 1), Independence Day (July 4), Thanksgiving Day, and Labor Day.

VZ# 226

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-6 Reference is made to page 5, lines 10-11, of Mr. Shepherd's testimony.

- a. Why are local usage rates not structured in a peak/off-peak manner in the Eastern LATA?
- b. Were they ever structured in such a peak/off-peak manner in the Eastern LATA?
- c. If so, when and for what period and what were the rates for each such period?

REPLY:

- a. The Department established the existing structure in Docket 89-300.
- b. No.
- c. See Verizon MA's Reply to (b) above.

VZ# 227

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-7 Reference is made to page 5-6, lines 22-2 of Mr. Shepherd's testimony.

- a. Please explain the reasons why Verizon believes that the proportion of peak and off-peak minutes for measured payphone lines in the Western LATA is identical to the Eastern LATA.
- b. Has Verizon conducted any study or analysis to support this conclusion? Please provide a copy of any such study or analysis?
- c. Are the demographic characteristics of the Western and Eastern LATA's identical?
- d. How many PALs are in service in the Western LATA? How many in the Eastern LATA?
- e. Are the payphone local usage rates in the Western LATA identical to those in the Eastern LATA?

REPLY:

- a. As explained in the testimony, Verizon MA does not have peak and off-peak minute data for measured payphone lines in the Eastern MA LATA, but only has such data for the Western MA LATA. Therefore, Verizon MA reasonably relies on the assumption that peak/off-peak local usage characteristics are similar for both LATAs.
- b. The respondent is not aware of any such study or analysis.
- c. No. There is no evidence to suggest that there is any direct correlation between demographic characteristics and peak/off-peak usage characteristics.

REPLY: NEPCC 2-7
(cont'd)

- d. There are 8,474 PALs in service in the Eastern MA LATA and 1,127 PALs in service in the Western MA LATA.
- e. For flat-rated unlimited service – yes. For measured service - no. See Verizon MA's Replies to NEPCC 2-11 and 2-12.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-8 Reference is made to page 6, line 1, of Mr. Shepherd's testimony. Please define the term "payphone-specific" as it is used in that context.

REPLY: As described in the immediately preceding sentence, at page 5, lines 22-23, the term "payphone-specific" refers to measured service payphone lines (measured PALs and PASLs).

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-9 Reference is made to page 6, line 4, of Mr. Shepherd's testimony.
Please define the term "payphone lines" as it is used in that context.

REPLY: Please see Verizon MA's Reply to NEPCC 2-8.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-10 Reference is made to page 6, lines 11-13. Is it Verizon's position that its "surrogate for the average local usage on unlimited lines" (1128 minutes) is uniformly applicable in both the Western and Eastern LATAs? If so, please explain the basis for that position.

REPLY: The unlimited local usage rate is a statewide average, rather than a LATA specific rate. Therefore, for purposes of the FCC "new services" test, this average rate is compared to a measure of the statewide average cost.

**Verizon New England Inc.
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Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-11 Reference is made to page 8, line 10, of Mr. Shepherd's testimony. What is the total local usage charge (message unit plus minutes of use) that Verizon bills to PAL measured usage subscribers for local calls of the following duration in the Eastern LATA?

- a. 1.63 minutes
- b. 1.51 minutes
- c. 2.25 minutes
- d. 3.10 minutes

Please break down the charge for each call into the charge for message units and minutes of use.

REPLY: The minute of use charge is not assessed on a per call basis. Rather, minutes of use are measured and accumulated on a per second basis. At the end of the customer's billing period, the sum of accumulated seconds is rounded to the next higher minute. Assuming that charges are billed on a per call and per second basis, the following charges would apply in the Eastern MA LATA:

- a. **\$0.0378** (\$0.01 per message plus \$0.0278 for 98 seconds)
- b. **\$0.0358** (\$0.01 per message plus \$0.0258 for 91 seconds)
- c. **\$0.0485** (\$0.01 per message plus \$0.0385 for 136 seconds)
- d. **\$0.0630** (\$0.01 per message plus \$0.0530 for 187 seconds)

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Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-12 Reference is made to page 8, line 10, of Mr. Shepherd's testimony. What is the total local usage charge (message unit and minutes of use) that Verizon bills to PAL measured usage subscribers for local calls of the following duration in the Western LATA?

- a. 1.63 minutes
- b. 1.51 minutes
- c. 2.25 minutes
- d. 3.10 minutes

REPLY:

- a. **Peak:** \$0.0378 (\$0.01 per message, \$0.0278 for 98 seconds)
Off-Peak: \$0.0231 (\$0.01 per message, \$0.0131 for 98 seconds)
- b. **Peak:** \$0.0358 (\$0.01 per message, \$0.0258 for 91 seconds)
Off-Peak: \$0.0221 (\$0.01 per message, \$0.0121 for 91 seconds)
- c. **Peak:** \$0.0485 (\$0.01 per message, \$0.0385 for 136 seconds)
Off-Peak: \$0.0281 (\$0.01 per message, \$0.0181 for 136 seconds)
- d. **Peak:** \$0.0630 (\$0.01 per message, \$0.0530 for 187 seconds)
Off-Peak: \$0.0349 (\$0.01 per message, \$0.0249 for 187 seconds)

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Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-13 Reference is made to page 8, line 22, of Mr. Shepherd's testimony. The testimony refers to "ratios the FCC has previously found reasonable for other payphone services."

- a. Identify, by rate element, all "payphone services" to which this statement is intended to apply.
- b. Is the term "found reasonable" intended to refer only to those instances in which the FCC has conducted an investigation of a proposed rate and found that rate to be "reasonable"?
- c. Provide a complete definition of the term "reasonable" as it is used in this context. Describe in detail all standards that Mr. Shepherd believes that the FCC applied when determining rates "for other payphone services" to be reasonable.

REPLY:

- a. This statement is intended to apply to measured PALs, unlimited PALs, PAL Direct Dial Screening, PASLs (BCALs, Charge-A-Call Service, Inmate Service), local measured usage for the Eastern MA LATA and local measured usage for the Western MA LATA.
- b. Yes. Please see Verizon MA's Reply to NEPCC 2-2.
- c. The term "reasonable" refers to the FCC's findings in the cited orders that rates for payphone services that are up to 4.8 times their direct cost satisfied the FCC tariff requirements.

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D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

- ITEM:** NEPCC 2-14 Reference is made to page 9, lines 1-3 of Mr. Shepherd's testimony. The testimony states that "the FCC in federal payphone service filings, has found to be reasonable, rates for payphone services and overhead loadings where the rate-to-cost ratio is up to 4.8."
- a. Provide a complete listing of all Orders related to "payphone service filings" in which Mr. Shepherd believes that the FCC found a rate-to-cost ratio of "up to 4.8" to be reasonable.
 - b. For each FCC Order listed in response to part a., please describe Mr. Shepherd's understanding of any caveats, limitations, or other constraints that the FCC placed on a conclusion that "a rate-to-cost ration of up to 4.8" is reasonable for payphone services.
 - c. For each FCC Order listed in response to part a., provide specific citations to any statements by the FCC that it intends "a rate-to-cost ratio of up to 4.8" to serve as a benchmark to be applied by state regulators when reviewing the compliance of any proposed payphone-related rate with the requirements set forth in the FCC Payphone Orders.
 - d. Provide a complete listing of all payphone service-related rate elements for which the FCC has found a rate-to-cost ratio of "up to 4.8 to be reasonable.
 - d. For each rate element listed in response to part d., provide both the rate and cost.

- f. Identify specifically each instance in which the FCC has applied this rate-to-cost ratio analysis to local usage charges imposed on payphone service providers.

REPLY:

- a. Please see Verizon MA's Reply to NEPCC 2-2.
- b. It is Mr. Shepherd's understanding that the FCC found that:
"Bell Atlantic's ratio of rates to direct costs for payphone features range from a low of zero times greater than the direct cost to a high of 3.4 times greater than direct costs while the ratio of rates to direct costs for the payphone features offered by other LECs ranges from a low of zero times greater than the direct costs to high of 4.8 time greater than the direct costs."
(CC Docket No. 97-140, Memorandum Opinion and Order, released October 29, 1997 [FCC 97-392], at 13.) Accordingly, the FCC found *"...record support for Bell Atlantic's overhead loadings and found no basis for finding that they are unreasonable under the new services test or produce unreasonable rates."* (*Id.*). Mr. Shepherd also believes that the FCC conditioned its finding by noting that it would not necessarily be applicable to evaluations of overhead loadings for other non-payphone services: *"We do not find that our determination here concerning overhead loadings for Bell Atlantic's provision of payphone features and functions will necessarily be determinative in evaluating overhead loadings for other services."* (emphasis added) (*Id.*).
- c. See Verizon MA's Reply to (b) above.
- d. Verizon MA objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, Verizon Massachusetts responds to this request as follows:
The rate elements and costs are contained in the tariff transmittals of U.S. West and Pacific Bell filed with the FCC, as cited by the same FCC Order in CC Docket No. 97-140 described in Verizon MA's Reply to (b) above. The FCC order in that docket speaks for itself in that it established a range within which payphone service rates are not considered unreasonable under the "new services" test. It is not Verizon MA's position that its rates should be afforded overhead loadings where the rates are up to 4.8 times their direct costs. Rather, Verizon simply points out that its rate and overhead loadings fall well below the upper boundary previously established by the FCC in that order.

REPLY: NEPCC 2-14

(cont'd)

- e. See Verizon MA's Reply to (d) above.
- f. Mr. Shepherd is not aware of any instance where the FCC has applied the new services test to local usage, nor determined in a final FCC order that local usage is subject to the new services test as a payphone specific service, feature or function. Regarding the FCC Common Carrier Bureau's *Wisconsin Order*, which is currently pending reconsideration, the New York Public Service Commission ("NYPSC") recently ruled that, by its terms, it is not binding in the state. See attached "Order Denying Petition for Rehearing of October 12, 2000" dated September 21, 2001, in NYPSC Case Nos. 99-C-1684 & 96-C-1174.

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**Verizon New England Inc.
D/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-15 Reference is made to Table 3, line 1a, and the rate for the Dial Tone Line, currently \$13.00

- a. How long has that rate been in effect?
- b. To the extent that any other rate for the Dial Tone Line has been in effect and billed to PAL subscribers during the period since April 15, 1997, please provide the rate, the dates it was in effect and the relevant tariff pages reflecting the particular rate.

REPLY:

- a. That rate has been in effect in Massachusetts since November 15, 1991. See attached tariff page.
- b. Not applicable.

VZ# 236

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-16 Reference is made to Table 3, line 1a, and the rate for the EUCL, currently \$8.08.

- a. How long has that rate been in effect?
- b. To the extent that any other rate for the EUCL has been in effect and billed to PAL subscribers during the period since April 15, 1997, please provide the rate, the dates it was in effect and the relevant tariff pages reflecting the particular rate.

REPLY:

- a. That rate has been in effect in Massachusetts since January 1, 2000.
- b. See attached tariff pages. The rate history for the End User Common Line ("EUCL") Multi-line Business charge from April 15, 1997, to present is as follows:

7/31/95	\$6.00
7/1/97	\$5.92
1/1/98	\$8.27
7/1/98	\$8.25
1/1/99	\$8.15
4/1/99	\$8.13
10/1/99	\$8.14
11/1/99	\$8.08

**Verizon New England Inc.
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Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-17 Reference is made to Table 3, line 1a, and the rate for PICC, currently \$1.54.

- a. How long has that rate been in effect?
- b. To the extent that any other rate for the PICC has been in effect and billed to PAL subscribers during the period since April 15, 1997, please provide the rate, the dates it was in effect and the relevant tariff pages reflecting the particular rate

REPLY:

- a. The rate has been in effect since July 3, 2001.
- b. See attached tariff pages. The Presubscribed Interexchange Carrier Charge ("PICC") –Multi-line Business Subscriber was introduced on January 1, 1998, at \$2.75 and was subsequently modified as follows:

7/1/99	\$4.28
10/1/99	\$4.31
11/1/99	\$3.62
1/1/00	\$3.48
7/1/00	\$3.32
7/1/00	\$3.25
1/2/01	\$3.24
1/2/01	\$3.23
7/3/01	\$1.54

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-18 Reference is made to Table 3, line 2a, and the measured local usage rate for Eastern LATA Zones 1 and 2, and the current rate of \$0.01 per message and \$0.017 per minute.

- a. Are there any other Zones in the Eastern LATA for purposes of measured local usage?
- b. How long have these rates for per message and per minute been in effect?
- c. To the extent that any other rates for measured local usage, including both per message and per-minute, have been in effect and billed to PAL subscribers during the period since April 15, 1997, please provide the rates, the dates they were in effect and the relevant tariff pages reflecting those rates.

REPLY:

- a. No.
- b. See Verizon MA's Reply to (c) below.
- c. See attached tariff pages. The rate history for the Eastern MA LATA Business measured local usage from April 15, 1997, to present is as follows:

Per Message	<u>9/15/95</u>	<u>1/17/00</u>	<u>11/20/00</u>	
Zone 1	\$0.028	\$0.027	\$0.01	
Zone 2	\$0.01	\$0.027	\$0.01	
Per Minute	<u>11/15/91</u>	<u>8/15/97</u>	<u>8/15/98</u>	<u>1/17/00</u>
Zone 1	\$0.016	\$0.016	\$0.016	\$0.017
Zone 2	\$0.055	\$0.052	\$0.035	\$0.017

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-19 Reference is made to Table 3, line 2e, and the measured local usage rate for the Western LATA, and the current rate of \$0.01 per message and \$0.013 per minute of use.

- a. How long have these rates for per message and per minute of use been in effect?
- b. To the extent that any other rates for measured local usage, including both per message and per-minute, have been in effect and billed to PAL subscribers during the period since April 15, 1997, please provide the rates, the dates they were in effect and the relevant tariff pages reflecting those rates.

REPLY:

- a. See Verizon MA's Reply to (b) below.
- b. See attached tariff pages. The rate history for the Western MA LATA Business local usage rates from April 15, 1997, to present is as follows:

Per Message	<u>10/19/90</u>	
	\$0.01	
Per Minute – Peak	<u>10/19/90</u>	<u>1/17/00</u>
	\$0.016	\$0.017
Per Minute- Off-peak	\$0.008	

**Verizon New England Inc.
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Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-20 Reference is made to Table 3, line 3e, and rate for unlimited local usage, currently \$26.77

- a. How long has this rate been in effect?
- b. To the extent that any other rate for unlimited local usage has been in effect and billed to PAL subscribers during the period since April 15, 1997, please provide the rate, the date it was in effect and the relevant tariff pages reflecting that rate.

REPLY:

- a. The rate has been in effect since August 15, 1997.
- b. See attached tariff pages. The rate history for unlimited business local usage from April 15, 1997, to present is as follows:

<u>1/15/93</u>	<u>8/15/97</u>
\$25.42	\$26.77

VZ# 241

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-21 Reference is made to Workpaper pages 1-13.

For each numerical value utilized on these workpapers, provide the corresponding value that appears in the "2/97 Massachusetts TELRIC Compliance Filing." If it is Verizon Massachusetts' position that, for a given value, no corresponding value exists in the "2/97 Massachusetts TELRIC Compliance Filing," explain in detail why this is the case.

REPLY: With the following exceptions, all the numbers contained on Verizon MA's workpapers (Part C, pages 1-13) are either identical to or mathematically derived from the Company's February 1997 Massachusetts TELRIC Compliance Filing," as noted by the source columns (*) in those workpapers. The only exceptions are: (1) TSLRIC annual carrying charge factors (Part C, Workpapers at 2, 4, 5, 6, 8, 9, 13); (2) Gross Revenue Loading (Part C, Workpapers at 2, 3, 6, 7, 12); and (3) the percent payphone access line weighting factors (Part C, Workpaper at 10). Those factors are reflected in Verizon MA's payphone specific TSLRIC study filed on January 29, 2001, and are in accordance with the Department's directives in its November 28, 2000, order to develop TSLRIC usage costs for payphone services to demonstrate compliance with the FCC's "new services" test.

In preparing this response, an error was found in the source column on Part C, Workpaper, page 12 of 13, lines 2, 6, 10, 14. The source for each of those cites should refer to Part C, WP Pg 13 (not Pg 15). A corrected Workpaper, page 12 is attached to this reply.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-22 Reference is made to page 2, lines 14-17, of the testimony of Mr. Miller. The testimony refers to a weighting of investments used to develop local usage costs.

- a. Describe in detail how this weighting of investments was accomplished.
- b. Provide a copy of any and all calculations or workpapers that support this calculation.

REPLY:

- a. Statewide average investments were determined by applying a density zone weighting factor to a density-specific investment such as a trunk port, switch investment, right to use fee, etc. Each specific density zone weighting factor was determined by dividing the number payphone loops in a given density zone by the total number of payphone loops in the study.
- b. The density zone weighting factors are calculated in Part A and Part A-1, Workpaper, Page 6 of 6, of Verizon MA's January 29, 2001, Compliance Filing in this proceeding. The application of the density zone weighting factors to the investments to develop the statewide average investments is shown in Part C, Workpaper, Page 10, which is attached to Mr. Miller's testimony.

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Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-23 Reference is made to page 3, lines 17-19, of the testimony of Mr. Miller. Provide a listing of all “retail-related costs” that are included in the ACCFs used in the cost analysis of local usage.

- a. For each “retail-related” category of cost listed, explain in detail why and how this cost is incurred by Verizon when providing PAL services.
- b. Provide a copy of the ACCFs utilized in the cost analysis of local usage.
- c. Provide a copy of the ACCFs provided in response to part b. with “retail-related” costs excluded.
- d. Provide a copy of the Part C workpapers (pages 1 through 13) as they would appear if the ACCFs provided in response to part c. had been utilized.

REPLY:

- a. The ACCF measures the annual expenses incurred by Verizon MA for investments in corresponding expense and investment accounts. The retail-related costs included in the TSLRIC ACCFs include a number of activities related to Testing, Product Management, Outside Sales, Customer Services, Support and Information Services. Because service-specific expenses or investments cannot be uniquely captured in every case for each service offered by the Company, Verizon MA applies the same TSLRIC ACCF for any service that uses equipment in the same investment account.

REPLY: NEPCC 2-23

(cont'd)

- b. The TSLRIC ACCFs are included in the TSLRIC Usage Cost Study, Part C, Workpaper, Page 13 of 13, which is attached to Mr. Miller's testimony.
- c. The information requested is not readily available and would require a special study, which would involve an overly burdensome, time-consuming manual work effort.
- d. See Verizon MA's Reply to (c) above.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-24 Provide a functioning electronic copy of the Part C Workpapers.

REPLY: A fully functioning electronic copy of the Part C Workpapers and Exhibit is provided in a Microsoft Excel 97 format on the attached diskette.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-25 Reference is made to page 2, line 8 of Mr. Miller's testimony, where he indicates that the "local usage cost study includes statewide usage costs."

- a. Does the study include statewide usage costs for all Verizon network access lines (*i.e.*, residential and business)?
- b. Does the study include just statewide usage costs for all PASL and PAL lines

REPLY:

- a. Yes. Verizon MA's cost methodology for local usage does not distinguish between different services (residence, business, and payphone) because costs are not captured in that manner.
- b. No. See Verizon MA's Reply to (a) above.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-26 Reference is made to page 3, line 7 of Mr. Miller's testimony, where he refers to the "density zone distribution of payphone loops in Massachusetts." What "payphone loops" were included in this "density zone distribution"? How many such "payphone loops" were included?

REPLY: Please see Verizon MA's Reply to NEPCC 1-2(a).

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-27 Reference is made to page 3, line 13 of Mr. Miller's testimony, where he refers to "a Payphone specific network." Please define the term "Payphone specific network" as it is used in that context.

REPLY: In general, a "payphone specific network" would be a network comprised of local switches, a tandem switch, and transport network engineered, installed, maintained and operated solely for the purpose of handling payphone traffic.

VZ# 248

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-28 Reference is made to page 3, lines 16-21 of Mr. Miller's testimony.

- a. Has Verizon performed any study or analysis solely of the costs associated with providing residence local usage? If so, please provide a copy of each such study or analysis.
- b. Has Verizon performed any study or analysis solely of the costs associated with providing business local usage? If so, please provide a copy of each such study or analysis.
- c. What are the current local usage charges (message unit and minute of use) associated with residential service?

REPLY:

- a. No.
- b. No.
- c. The current residence local usage charges are as follows:

Eastern MA LATA

	MSG	MIN
Zone 1	\$0.01	\$0.016
Zone 2	\$0.01	\$0.016

Western MA LATA

Peak	\$0.01	\$0.016
Off-peak	\$0.01	\$0.008

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-30 Reference is made to page 6, lines 3-5 of Mr. Miller's testimony with respect to "inter-office transport and tandem components. The testimony indicates that the study assumes that 95% of the traffic is routed on a direct basis and 5% is routed to the tandem, assumptions which are consistent with those developed and submitted in Docket 98-57.

- a. Were these assumptions based on an analysis of local traffic originated at payphones? If not, what type of local traffic was involved in Docket 98-57?
- b. Please provide a copy of the relevant orders from Docket 98-57 that supports these assumptions.

REPLY:

- a. The assumption of 95% direct routing and 5% tandem routing is based on all types of traffic.
- b. There are no relevant Department orders directly supporting these assumptions.

VZ# 251

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-31 Reference is made to page 3, lines 4-12 of Mr. Miller's testimony. The Testimony indicates that investments for tandem switching, tandem trunk port and common transport are "already expressed on a statewide basis." Were these investments weighted based on the density zone distribution of payphone loops in Massachusetts?

REPLY: No. In the TELRIC model approved by the Department in its Phase 4 Order in the *Consolidated Arbitrations* (D.P.U./D.T.E. 96/74, 96-75, 96-80/81, 96-83, 96-94) dated December 4, 1996, Tandem Switching and Common Transport investments are developed on a statewide basis and do not vary by density zone, so no weighting is required.

VZ# 252

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-32 Reference is made to page 3, line 17 of Mr. Miller's testimony, where he indicates that Verizon believes it must treat all local usage as a "homogenous mix." If that is the case, please explain why Verizon's costs for peak and off-peak local usage differ? What usage-related costs change when a call is made at 11:00 AM as opposed to a call made at 11:00 PM? Please provide supporting work papers, reports or analyses.

REPLY: The term "homogenous mix" means that all types of local usage traffic is combined, rather than differentiated on a service specific basis (*e.g.*, residence, business, payphone, etc.). The terms "Peak" and "Off-peak" reflect the fact that investments, and therefore costs, may differ based on non-concurrent busy hours and traffic volumes in any given day.

In the TELRIC model approved by the Department in its Phase 4 Order in the *Consolidated Arbitrations* (D.P.U./D.T.E. 96/74, 96-75, 96-80/81, 96-83, 96-94) dated December 4, 1996, investments were calculated based on busy-hour requirements. Verizon MA calculated per-unit costs separately for time periods with different peak demand characteristics to better reflect the cost causative nature of the demand.

The Peak and Off-peak conversion factors are taken directly from the Company's February 1997 TELRIC Compliance Filing. A copy of the relevant Workpaper is attached.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-33 Reference is made to the TSLRIC Usage Study Narrative, at page 2, Section III. Please provide the “response to a record request from Verizon MA in the Tariff 17 Proceeding (Massachusetts DTE Docket 98-57).”

REPLY: See attached.

VZ# 254

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-34 Reference is made to the TSLRIC Usage Study Narrative, at page 12, Section IV(c). Please define the term “busy hour minute of use” as used in that context. Please explain why Verizon believes it is appropriate to use the trunk investment on that basis as a starting investment.

REPLY: The “busy hour minute of use” represents the duration, in minutes, that an investment is used or utilized during a busy hour.

In the TELRIC model approved by the Department in its Phase 4 Order in the *Consolidated Arbitrations* (D.P.U./D.T.E. 96/74, 96-75, 96-80/81, 96-83, 96-94) dated December 4, 1996, the common trunk is a shared resource and, therefore, appropriate to develop the cost on a busy hour minute of use basis.

The starting trunk investments and corresponding busy hour minutes of use are taken directly from the Company’s February 1997 TELRIC Compliance Filing.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-35 Reference is made to the TSLRIC Usage Study Narrative, at p. 2, Section IV(c), referring to a “busy hour annualization factor.” What is that factor and what is the source thereof?

REPLY: In the TELRIC model approved by the Department in its Phase 4 Order in the *Consolidated Arbitrations* (D.P.U./D.T.E. 96/74, 96-75, 96-80/81, 96-83, 96-94) dated December 4, 1996, the busy hour annualization factor is used to convert busy hour investments or costs to “Annual Minutes”.

The Busy Hour Annualization Factor applied in these workpapers is taken directly from the Company’s February 1997 TELRIC Compliance Filing. A copy of the relevant Workpaper (Part B, Page 81) is attached.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-36 Reference is made to the TSLRIC usage Study Narrative, at p. 3, Section IV(c). The narrative indicates at that point that the annual fixed and variable costs are converted by applying the “appropriate TSLRIC ACCF.” They are also combined and divided by 24.

- a. Please provide the TSLRIC ACCF’s used in the analysis.
- b. Please explain why the sum of the annual fixed and variable costs are divided by 24.

REPLY: The correct reference to Verizon MA’s Study Narrative is page 3, Section IV (e).

- a. The TSLRIC factors used in the analysis are as follows:
Digital Circuit ACCF: .3254 (Part C, WP, Pg 13, Ln 15C)
Cable & Wire ACCF: .2927 (Part C, WP, Pg 13, Ln 8L)
Cable Support ACCF: .2797 (Part C, WP, Pg 13, Ln 6L)
- b. The common transport investments and corresponding costs are developed for DS-1 facilities. The capacity of a DS-1 facility is 24 circuits or trunks. Therefore, the cost of the DS-1 facility is divided by 24 to develop the “per trunk” cost.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-37 Reference is made to Part C, Exhibit, pages 1 and 2. Please explain what factors cause the peak minute of use costs to be twice the off-peak minute of use costs. Please provide work papers and other documentation to support your explanation.

REPLY: Please see Verizon MA's Reply to NEPCC 2-32.

VZ# 258

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-38 Reference is made to Part C, Exhibit, pages 1 and 2. In Column C "Units," please explain why some costs are multiplied by "2" and others by "1."

REPLY: The multiplier in column C is used to aggregate the specific network components based on their occurrence by call type (intraoffice or interoffice).

Intraoffice call:

Line 1: A multiplier of 2 is used as an originating minute of use and a terminating minute of use is required for each call.

Interoffice call:

Line 2: A multiplier of 2 is used as an originating minute of use and a terminating minute of use is required, regardless of direct or tandem routing – one in the originating office and one in the terminating office.

Line 3: A multiplier of 2 is used as two common trunks are required, regardless of direct or tandem routing - one in the originating office and one in the terminating office.

Line 4: A multiplier of 1 is used for interoffice transport when a call is routed directly to an end office. (95% of the calls)

Line 5: A multiplier of 1 is used for tandem switch usage when the call routes via a tandem. (5% of the calls)

Line 6: A multiplier of 2 is used for tandem trunk usage as two trunks are required – one from the originating office and one to the terminating office. (5% of the calls)

Line 7: A multiplier of 2 is used for interoffice transport when a call is routed via a tandem - one between the originating

REPLY: NEPCC 2-38

end office and the tandem, one between the tandem and the terminating end office. (5% of the calls)

VZ# 259

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-39 Reference is made to Part C, Workpaper, page 4 of 13, line 8, "Right to Use Fees." What are these fees?

REPLY: In the TELRIC model approved by the Department in its Phase 4 Order in the *Consolidated Arbitrations* (D.P.U./D.T.E. 96/74, 96-75, 96-80/81, 96-83, 96-94) dated December 4, 1996, the fixed "Right to Use Fees" represent the fixed switch processor-based software investments included in the usage component of local switching.

The "Right to Use Fees" investment as shown on line 8 is developed on Part C, Workpaper, page 10. On page 10, the fixed "right to use fee" investments (line 5) are taken directly from the Company's February 1997 TELRIC Compliance Filing approved by the Department. Those investments are then weighted by the density distribution of payphone loops in Massachusetts (line 1).

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-40 Reference is made to Part C, Workpaper, 5 of 13, line 8, "Right to use Fees." Please provide a copy of the WP-Part B, page 92 referred to therein.

REPLY: There are no "Right to use Fee" investments for Variable Local Switch, as indicated by the " - " on Line 8. The "Right to Use Fee" line appears simply because a generic workpaper format was being used.

Because no "right-to use fee" investments for Variable Local Switch are included, WP-Part B, page 92 is not relevant to Part C, Workpaper, 5 of 13, line 8 of the TSLRIC Study filed with Mr. Miller's testimony in this proceeding. However, a copy of that workpaper is attached.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Fredrick K. Miller

Title: Senior Specialist

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-41 Reference is made to Part C, Workpaper, page 10 of 13, referring in first column to "PAL Loop Study." Is this the Study submitted to Department on January 29, 2001 pursuant to the Department's November 28, 2000 Order in this proceeding? If not, please provide a copy of this Study.

REPLY: The "PAL Loop Study" is the same study submitted to Department on January 29, 2001.

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**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd
Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-42 In how many exchanges does Verizon currently offer PAL unlimited usage service? How many PAL unlimited usage lines are currently in service?

REPLY: Unlimited PAL service is available in the same exchanges that unlimited business exchange service is available. Unlimited business exchange service is available in all Massachusetts exchanges, except for those listed below:

Eastern MA LATA:

Arlington, Belmont, Boston Central, Brighton, Brookline, Cambridge, Charlestown, Chelsea, Dorchester, East Boston, Everett, Hyde Park, Jamaica Plain, Lexington, Malden, Medford, Melrose, Milton, Newton, North Swansea, Quincy, Rehoboth (a zone of the Metropolitan Providence RI exchange), Revere, Roxbury, Seekonk, Southgate, Somerville, South Boston, Waltham, Watertown, Winthrop.

Western MA LATA:

Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Southwick, Springfield, Westfield, Wilbraham.

There are 2,016 unlimited PALs in service.

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 97-88/18 Phase II

Respondent: Peter Shepherd

Title: Director

REQUEST: New England Public Communications Council, Set #2

DATED: September 12, 2001

ITEM: NEPCC 2-43 Reference is made to Exhibit IV to Verizon's (then Bell Atlantic) January 26, 1998 Comments in this docket ("Exhibit IV"). Therein, on the first page of Exhibit IV, Verizon indicates a "TELRIC Cost" of \$7.46 for usage as part of the PAL unlimited usage service offering. This compares with a direct cost of \$19.07 for the same unlimited usage service offering set forth on Table 1 attached to Mr. Shepherd's testimony. Please explain in detail the reason for the difference of \$11.61 in direct costs between these two figures. Include all assumptions, calculations and workpapers supporting your explanation.

REPLY: As explained in Mr. Shepherd's testimony filed on September 7, 2001, the \$19.07 cost for unlimited PAL local usage reflects the crossover point for measured and flat-rated, unlimited local usage. It is based on the *volume* of local usage where charges for measured local usage and flat-rated unlimited local usage are equal. Likewise, the \$7.46 cost for unlimited PAL local usage, as contained in Exhibit IV of the January 26, 1998, Comments, was calculated in a similar manner based on the cross-over point between measured and flat-rated, unlimited local usage rates in effect at that time. That cost, which was subsequently corrected as \$7.57, is fully explained in the Company's Replies to NEPCC 1-1 and NEPCC 1-13 (dated June 3, 1999, copies are attached).

The major differences between the corrected \$7.57 cost from Exhibit IV and the \$19.07 cost are due to the increase in the PAL flat-rated, unlimited local usage charge and decreases in the applicable measured local usage rates. Those rate changes increase

REPLY: NEPCC 2-43 the usage cross-over point at which measured local usage charges would begin exceeding the charge for flat-rated, unlimited local usage. In addition, the surrogate costs used in Exhibit IV were based on the following assumptions because the Company did not have an actual TSLRIC study for retail local usage service: (1) that cost represented the TELRIC cost for end-office local switching minus the TELRIC joint and common allocation to derive the TSLRIC of the local switching unbundled network element; and (2) that an intraoffice call included only an originating and a terminating local switching minute and did not reflect any transport costs incurred for interoffice calls, as explained in Verizon MA's reply to NEPCC 1-13. Because Verizon MA has developed and used a TSLRIC local usage study in its September 7, 2001, filing, in compliance with Department directives, these assumptions were not included in that filing.

VZ# 264